

Message Text

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51

ACTION SS-30

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O 091105Z JAN 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 2600

INFO AMEMBASSY TRIPOLI IMMEDIATE

SECDEF WASHDC IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 2 ROME 0288

EXDIS

E.O. 11652: GDS

TAGS: MILI, PFOR, IT, LY

SUBJECT: ITALIAN APC SALES TO LIBYA

FOR THE SECRETARY

REF: A. STATE 00145 (NOTAL)

B. ROME 2781 (NOTAL)

C. ROME 10248 (NOTAL)

D. ROME 10632

1. SUMMARY. EMBOFF WAS CALLED IN BY FOREIGN OFFICE TO HEAR RENEWED APPEAL FOR US APPROVAL OF ITALIAN SALE OF 150 APC'S TO LIBYA. MFA OFFICIAL STRESSED: (A) LIBYANS HAVE MADE IT VERY CLEAR THAT ITALIAN ACCESS TO LIBYAN CRUDE OIL AND INDEED ITALY'S ROLE IN LONG RANGE ECONOMIC DEVELOPMENT OF LIBYA WILL IN LARGE MEASURE HINGE ON ITALIAN ABILITY TO COMPLETE THIS SALE; (B) APC'S IN QUESTION ARE NON-LETHAL AND IN HANDS OF LIBYANS ARE LIKELY TO BE INOPERATIVE IN MATTER OF MONTHS FOR WANT OF ADEQUATE MAINTENANCE; (C) LIBYANS WILL ACQUIRE EQUIPMENT ELSEWHERE IF ITALY DOESN'T COME THROUGH; AND (D) TO BE EFFECTIVE, AN AFFIRMATIVE US DECISION MUST BE FORTHCOMING BY JANUARY 15, THE ABSOLUTE DEADLINE FOR OTO MELARA PRODUCTION DECISIONS. ITALIAN OFFICIAL ACKNOWLEDGED (IN RESPONSE TO EMBOFF REMARKS) THAT QADHAFI'S CONDUCT HAS BEEN INTOLERABLE BUT IN VIEW OF ITALY'S CURRENT DEPENDENCY ON AND LONG RANGE INTEREST IN LIBYA, CONFIDENTIAL

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SHE MUST CONTINUE TO COPE WITH HIM. ACTION RECOMMENDED: AN AFFIRMATIVE US DECISION ON THE SALE BY JANUARY 14. END SUMMARY.

2. FOREIGN OFFICE CHIEF OF ECONOMIC SECTION FOR ARAB AFFAIRS

(GIACOMO ATTOLICO) CALLED IN EMBOFF ON JANUARY 8 TO FOLLOW UP ON AMBASSADOR ORTONA'S DEMARCHE TO ASSISTANT SECRETARY STOESSEL (REF A) AND URGED US APPROVAL FOR ITALIAN SALE OF 150 APC'S TO LIBYA BY JANUARY 15. IN MAKING THIS REQUEST, ATTOLICO STRONGLY EMPHASIZED HOW CRUCIAL THIS DECISION WOULD BE NOT ONLY TO CONTINUED ITALIAN ACCESS TO LIBYAN CRUDE OIL BUT ALSO TO ITALIAN INTEREST IN PARTICIPATING IN LONG RANGE ECONOMIC DEVELOPMENT OF LIBYA. ATTOLICO SAID THAT WHILE THERE HAD NOT BEEN FORMAL GOVERNMENT-TO-GOVERNMENT DISCUSSIONS ON THE APC'S, THE LIBYANS HAD STRESSED TO OTO MELARA THAT THEY VIEWED THIS SALE AS AN ERNEST OF ITALIAN ATTITUDES TOWARD LIBYA. THE FACT THAT US APPROVAL OF THE SALE IS REQUIRED IS IRRELEVANT AS FAR AS TRIPOLI IS CONCERNED. ATTOLICO NOTED THAT THE EQUIPMENT IS NON-OFFENSIVE IN NATURE AND REQUIRES A DEGREE OF MAINTENANCE THE LIBYANS ARE NOT LIKELY TO PROVIDE. HE OBSERVED THAT MILITARY EQUIPMENT SOLD BY ITALY TO LIBYA EARLIER WAS NOT TRANSFERRED TO EGYPT DURING THE MIDDLE EAST CRISIS. HE ALSO MADE THE STANDARD ARGUMENT THAT THE LIBYANS COULD ACQUIRE COMPARABLE PERSONNEL CARRIERS FROM OTHER SOURCES. AND FINALLY HE SAID THAT JANUARY 15 IS A CRITICAL DATE FOR US DECISION IN THAT OTO MELARA MUST CONFIRM PENDING APC PRODUCTION DECISIONS. IF THE JANUARY 15 DATE PASSES WITHOUT AN AFFIRMATIVE US DECISION, THE DELIVERY OF APC'S WHICH MAY LATER BE APPROVED FOR LIBYA WOULD BE DELAYED AT LEAST TWO YEARS. AND ATTOLICO SAID THIS DELAY WOULD BE UNACCEPTABLE TO LIBYANS.

3. EMBOFF REVIEWED THE HISTORY OF THE PREVIOUS SALE AND NOTED THAT IT IS HIGHLY UNLIKELY THAT ANYONE IN WASHINGTON IS ANXIOUS TO DO ANYTHING THAT WOULD APPEAR TO SERVE COLONEL QADHAFI'S INTERESTS. IN THIS CONNECTION, EMBOFF REFERRED TO THE RECENT LONDON TIMES ARTICLE ON THE LINKS BETWEEN QADHAFI AND RECENT TERRORISTS ACTIVITY. NEVERTHELESS, EMBOFF TOLD ATTOLICO THAT HE WOULD REPORT DEMARCHE, INCLUDING THE POINTS ATTOLICO MADE ON THE LONG RANGE IMPORTANCE OF THE SALE TO ITALIAN POLITICAL AND ECONOMIC INTERESTS IN LIBYA.

4. THE FOLLOWING DISCUSSIONS REFLECTS OUR JUDGEMENT THAT, NOTWITHSTANDING QADHAFI'S BEHAVIOUR, APPROVAL WOULD BEST SERVE US INTERESTS IN THE LONG RUN. THIS ASSUMES THAT QADHAFI'S RELATIONS
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WITH TERRORISTS WILL NOT BE AFFECTED ONE WAY OR THE OTHER BY OUR DECISION REGARDING APC'S.

5. AS EMBASSY NOTED LAST APRIL WHEN FOREIGN MISISTRY FIRST REQUESTED OUR APPROVAL OF ADDITIONAL 150 M-113A1 APC'S, WE BELIEVED THAT THE SAME RATIONALE WHICH SERVED AS THE BASIS FOR USG'S DECISION TO APPROVE EARLIER SALES REMAINS VALID. THE PRINCIPAL RELEVANT CONSIDERATIONS INCLUDED:

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TO SECSTATE WASHDC IMMEDIATE 2601
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C O N F I D E N T I A L SECTION 2 OF 2 ROME 0288/2

EXDIS

E.O. 11652: GDS
TAGS: MILI, PFOR, IT, LY
SUBJECT: ITALIAN APC SALES TO LIBYA

FOR THE SECRETARY

REF: A. STATE 001445 (NOTAL)
B. ROME 2781 (NOTAL)
C. ROME 10248 (NOTAL)
D. ROME 10632

A. USG POLICY, WHICH WE HAVE PURSUED FOR SEVERAL YEARS,
TO ENCOURAGE AN ACTIVE ITALIAN ROME IN THE NORTH AFRICAN LITTORAL,
AS A MEANS OF PREVENTING THE SOVIET UNION FROM STILL FURTHER
ENHANCING ITS INFLUENCE THERE, AND AT THE SAME TIME FACILITATING
THE INFLUENCE OF THE LOYAL EUROPEAN ALLY CONSCIOUS OF AND IN A
POSITION TO PROTECT US INTERESTS IN THE AREA-CONSIDERATIONS THAT
WOULD BE PARTICULARLY RELEVANT IN THE POST-QADHAFI TIME FRAME;

B. LIBYAN ABILITY TO PURCHASE MILITARY EQUIPMENT FROM OTHER
SOURCES IN CASE ITALIAN SUPPLY WERE DENIED THEM;

C. ENCOURAGEMENT OF ITALIAN ARMS MANUFACTURERS TO CONTINUE
TO SEEK TIES WITH THE US, WITH THEIR OBVIOUS ECONOMIC BENEFITS
TO US, AT A TIME WHEN THERE HAS BEEN CONSIDERABLE PRESSURE TO
"GO EUROPEAN";
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D. SALUTARY EFFECTS ON THE ITALIAN ECONOMY.

6. WE DO NOT BELIEVE RECENT EVENTS HAVE NEGATED THE VALIDITY
OF THE CONSIDERATIONS LISTED ABOVE. INDEED, FROM A NUMBER OF
POINTS OF VIEW, THE ARGUMENT FOR APPROVAL HAS BECOME EVEN MORE
VALID:

-- THE NEED TO MINIMIZE THE POSSIBILITY OF IRRESPONSIBLE
INFLUENCE IN ARAB NATIONS IS PERHAPS MORE EVIDENT THAN EVER.

-- PRESSURES FOR EUROPEANIZATION OF ARMS PROCUREMENT HAVE INCREASED OVER THE PAST YEAR.

-- THE ECONOMIC FEEDBACK TO THE US, WHICH WE WOULD ESTIMATE TO BE ON THE ORDER OF \$5 MILLION, WOULD BE COUNTABLE AS BURDEN-SHARING UNDER JACKSON-NUNN. THIS BENEFIT WOULD NOT, OF COURSE, ACCRUE WERE THE LIBYANS TO NEGOTIATE DEALS WITH OTHER WESTERN EUROPEANS FOR SIMILAR VEHICLES, SUCH AS THE FRENCH PENHARD OR BRITISH SCOUT CARS.

-- IN ADDITION, THE ITALIAN ECONOMY IS ONE OF EUROPE'S MOST EXPOSED TO THE CONSEQUENCES OF ENERGY SHORTAGE. ITALY SECURES 25 PERCENT OF ITS CRUDE OIL REQUIREMENTS FROM LIBYA AND ENI IS EVEN MORE DEPENDENT ON LIBYAN CRUDE -- 40 PERCENT OF ITS REQUIREMENTS.

-- FINALLY, ITALIAN TEMPTATION TO WORK A SPECIAL DEAL WITH OIL PRODUCERS IN ORDER TO IMPROVE ACCESS TO SUPPLIES WOULD BE SATISFIED IN MANNER WHICH WOULD NOT TEND TO UNDERMINE CONSUMER SOLIDARITY.

7. THE PRINCIPAL CONCERN ABOUT THESE APC'S HAD BEEN, OF COURSE, THE USE TO WHICH THEY MIGHT BE PUT DURING HOSTILITIES IN THE MIDDLE EAST, PARTICULARLY WHETHER THEY MIGHT BE TRANSFERRED TO EGYPT. IN THIS CONNECTION, WE ARE NOT AWARE THAT SUCH A TRANSFER TOOK PLACE DURING THE RECENT WAR. THE LACK OF EVIDENCE ON THE GROUND IS SUPPORTED BY QADHAFI'S UNCOOPERATIVE POLICY TOWARD HIS FELLOW ARAB BELLIGERENTS. TO US THIS SEEMS SUFFICIENT GROUNDS TO DAMPEN, IF NOT ELIMINATE ENTIRELY, THE FEAR THAT THESE TRANSPORT VEHICLES WILL SHOW UP ON THE FRONT LINES OR BE ANYTHING MORE THAN SURPLUS VEHICLES FOR WHICH EVEN THE LIBYANS CANNOT FIND A USE.

8. WE BELIEVE THESE CONSIDERATIONS ARE PERSUASIVE AND RECOMMEND WASHINGTON APPROVAL BY NEXT MONDAY, JANUARY 14. OBVIOUSLY, A NEGATIVE DECISION WILL NOT SERVE TO ENHANCE US-ITALIAN

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RELATIONS IN VIEW OF ITALY'S CRITICAL ECONOMIC SITUATION. WE ARE NOT, OF COURSE, IN A POSITION TO WEIGH THE OTHER US CONSIDERATIONS INVOLVED, BUT WHATEVER THE DECISION, WE DO NOT BELIEVE WE CAN TEMPORIZE ON THIS REQUEST ANY LONGER. VOLPE

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